

CAPITAL IMPROVEMENT FUND

Description: The Capital Improvement Fund is utilized by the Village to accumulate resources and pay expenses for capital improvements and infrastructure maintenance. The annual Street Maintenance Program, pedestrian sidewalk improvements, bikeways, and other capital improvement projects are accounted for in this fund.

Fund Structure

The Capital Improvement Fund is a governmental fund type; this means the revenues, expenditures, transfers, and changes in fund balance are accounted for in accordance with the modified accrual basis of accounting (*please see the Basis of Budgeting section on Pages 30-31 for a more thorough description of modified accrual accounting*). Multiple categories of Fund Balance have been established in the Capital Improvement Fund to account for the revenues, expenditures, and accumulated assets related to ongoing project areas in the Fund. Descriptions of the Fund Balance categories include:

- Unreserved – Undesignated – The portion of the total Fund Balance that can be utilized to discharge current or future obligations of the Village for capital improvement projects (*subject to a minimum balance established by policy*).
- Reserved for Non-Current Receivables – This category of Fund Balance accounts for the resources owed to the Capital Improvement Fund by the Tax Increment Financing (TIF) Fund. The Capital Improvement Fund has advanced equity to the TIF Fund for projects in lieu of the TIF Fund issuing debt.
- Reserved for Restricted Revenues – The portion of the Fund Balance that represents revenues restricted by Illinois State Statute or Village Ordinance for a particular purpose. These revenues include Public Benefit Funds that are derived from a special tax levy, use of which are restricted to the payment of the public benefit portion of a special assessment project or the local share of a state or federal project. This Fund Balance represents the accumulated total of this restricted revenue not yet expended. In the recent past these assets have been used to pay for the Village's portion of State of Illinois capital projects in the community (*i.e., the Route 14 Reconstruction Project*).
- Designated – This category of Fund Balance has been accumulated and designated for specific purposes including Parking, Bikeways, and Village Facilities. The assets in this category of Fund Balance are the accumulated resources that have not been expended for their designated purpose.

These categories were established in response to changes implemented in the Village's fund structure due to the reporting requirements in Governmental Accounting Standards Board (GASB) Statement #34. Effective with the fiscal year 2003 budget, the Village eliminated its Special Revenue Funds and incorporated the revenues, expenditures, and assets of the Public Benefit Fund into the Capital Improvement Fund. The Public Benefit Fund was incorporated into the Capital Improvement Fund to ease accounting adjustments that would have otherwise been necessary to comply with the requirements of GASB Statement #34 pertaining to the disaggregation of non-major funds from the financial statements.

According to Village policy (*please see the Budget and Financial Policies section of this document on Pages 32-38*), a balanced budget in the Capital Improvement Fund is determined by whether or not the Unreserved – Undesignated Fund Balance is greater than the minimum Fund Balance required by Village Policy; in 2005 this amount is \$465,000 and in 2006 the amount is \$485,000. The Capital Improvement Fund was created to accumulate resources for the construction of capital improvements. Every fiscal year will differ in the amount of expenditures budgeted for that year. As long as the Unreserved – Undesignated Fund Balance maintains a balance higher than required by Village policy, the Capital Improvement Budget may accumulate or deplete assets as necessary to provide for the capital improvements that Village Elected Officials and Staff feel are appropriate.

Minimum Fund Balances

The minimum undesignated fund balance for the Capital Improvement Fund has been established at one third (33.34%) of the cost of the annual street and sidewalk programs; this equates to a minimum undesignated Fund Balance of \$465,000 in 2005 and \$485,000 in 2006. This minimum balance has been set to insure sufficient cash flow to cover project costs as they are incurred. In addition to this locally set minimum, the Capital Improvement Fund is also subject to a maximum allowable accumulation under Illinois State Statute. The maximum amount that can be accumulated for Capital Improvements falling under the General Government category is equal to 3% of the community's Equalized Assessed Value (EAV). Based on the Village's 2003 EAV, the maximum amount that can currently be accumulated by the Village as either Designated or Unreserved – Undesignated Fund Balance is \$13,730,450.

Analysis of Revenues and Expenditures

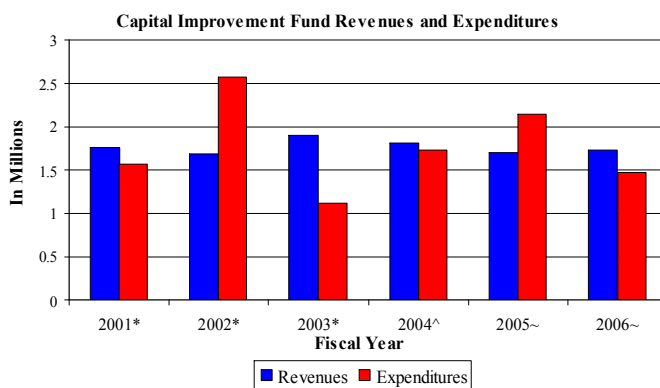
The 2005 Budget includes \$1,703,000 in estimated revenues for the Capital Improvement Fund, an increase of \$93,500 (5.81%) from the 2004 revenue estimate of \$1,609,500. However, 2005 estimated revenues reflect a decrease of \$114,750 (6.31%) from 2004 projected actual revenues of \$1,817,750. The 2006 Budget includes \$1,723,000 in total revenues for the Capital Improvement Fund, an increase of \$20,000 (1.17%) from the 2005 revenue estimate (*please see the Revenue Descriptions, Historical Trends, and Projections section on Pages 71-89 for more detailed analysis of various revenue sources*).

- Other Taxes increase \$70,000 (5.98%) in 2005, from \$1,170,000 in 2004 (*projected actual*) to \$1,240,000. Other Taxes will remain stable at \$1,240,000 in 2006. This increase in 2005 is the result of projected increases in Telecommunications and Utility Tax revenues (*which comprise the entire Other Taxes category in the Capital Improvement Fund*), Electrical Utility Taxes are projected to increase \$25,000 each and Telecommunications Taxes are projected to increase \$45,000 from 2004.
- No Intergovernmental Revenue is currently expected to be received in 2005 or 2006.
- Charges for Services are estimated at \$5,000 in 2005, a 100% increase from 2004 (*projected actual*). This revenue comes from the Barrington Countryside Fire Protection District to pay for half of the cost of a signal preemption project that will be completed in the District. In 2006, no signal preemption projects will be completed and therefore no revenues are expected to be received.
- Village Property Usage revenues are expected to increase \$45,000 (18.37%) in 2005, from \$245,000 in 2004 (*projected actual*) to \$290,000. In 2006, this revenue source is expected to remain stable at \$290,000. The increase in 2005 is estimated due to projected increases in revenues from lease agreements for cell phone towers on Village owned property.
- Investment Income is expected to increase \$5,250 (5.98%) in 2005, from \$87,750 in 2004 (*projected actual*) to \$93,000 in 2005. In 2006, this revenue source is expected to remain stable at \$93,000. In both years the Capital Improvement Fund will receive \$60,000 in interest revenue from the TIF Fund due to interest on loans made to the TIF Fund for Downtown Redevelopment. The interest received from the TIF Fund is projected to remain at the current level in both years. The 2005 increase is projected because interest rates are expected to continue increasing, providing additional investment income from the purchase of Federal Agency Bonds and Certificates of Deposit. In addition, the increase in interest rates will have a positive effect on the Village's return from its money market account (*the Illinois Funds Account managed by the State of Illinois Treasury*).
- Miscellaneous Revenues are expected to decrease from \$315,000 in 2004 (*projected actual*), to \$75,000 in 2005, a decrease of \$240,000 (76.19%). In 2006, this revenue source is expected to increase 25%, from \$75,000 to \$100,000. The decrease in 2005 is the result of one-time project contributions that were received in 2004 for the Flint Creek Restoration Project. These project contributions will not be repeated in 2005; however, the Village will be receiving a contribution in the amount of \$75,000 towards Hart Road improvements from an office development project that was approved in 2004. This contribution is expected to increase to \$100,000 in 2006.

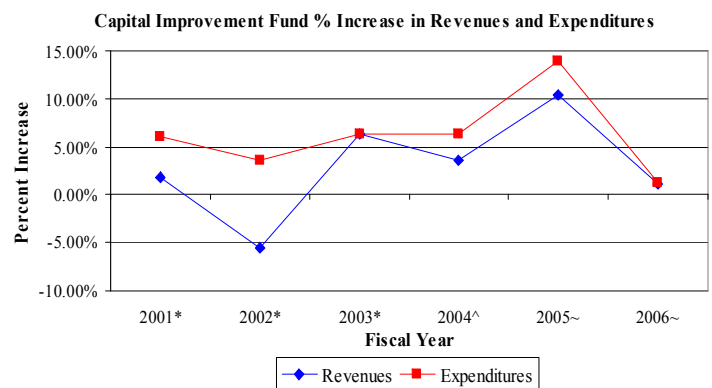
The 2005 Budget includes \$2,141,250 in budgeted expenditures for the Capital Improvement Fund, an increase of \$271,450 (14.51%) from the 2004 Budget of \$1,870,000 and an increase of \$417,000 (24.18%) from the projected 2004 actual of \$1,724,250. The 2006 Budget includes \$1,470,000 in total expenditures for the Capital Improvement Fund, a decrease of \$671,250 (31.35%) from 2005 budgeted expenditures (*please see the Capital Improvement Summary for a detailed analysis of Program or Project expenditures*).

- The 2005 Village Facilities Budget includes \$125,000 in expenditures, an increase of \$100,500 from the 2004 projected actual. Expenditures in 2005 include the rerouting and stabilization of the stream bank for Flint Creek at the Public Works Facility. No expenditures are budgeted for 2006.
- The Budget for Highway and Street Improvements in 2005 equals \$1,835,000, an increase of \$465,000 from the 2004 projected actual. The Street Maintenance Program comprises the largest portion of these expenditures at \$1,395,000. In addition, design and engineering work for Hart Road Improvements in conjunction with the development of the Wamberg property is budgeted at \$350,000. Another \$90,000 is included in the budget for beautification efforts along Illinois State Route 14 and in the Village's Historic District as well as other small projects related to traffic calming. In 2006, the budget for Highway and Street Improvements will decrease \$440,000 as only the Street Maintenance Program is included in the budget.
- The budget for Traffic Control Facilities in 2005 includes \$10,000 for one signal preemption project.
- Pedestrian Programs increase \$25,000 (41.67%) from \$60,000 in 2004 to \$85,000 in 2005. In 2006, expenditures for Pedestrian Programs will decrease \$10,000 (11.76%) to \$75,000. In 2005, \$40,000 of these expenditures will be devoted to sidewalk maintenance and the other \$45,000 will go for the installation of new sidewalk. In 2006, \$35,000 will be expended for sidewalk maintenance and \$45,000 will be expended for the installation of new sidewalk.
- The budget for Bikeways includes \$86,250 for the construction of a Bikeway segment along Grove Avenue.

The difference between the amount of revenues and expenditures in the Capital Improvement Fund changes every year as the Village alternatively accumulates funds and then expends those funds on capital projects; this is consistent with the Fund's purpose. As demonstrated in the Capital Improvement Fund Revenues and Expenditures Chart, funds were accumulated in 2001, 2003, and are projected to be accumulated in 2006. Expenditures on capital projects exceeded revenues in 2002, 2004 and are expected to again exceed revenues in 2005 as resources accumulated in previous years are expended.



* Actual Expenditures ^Projected Expenditures ~Budgeted Expenditures



Changes in Fund Balances

The total Capital Improvement Fund Balance will decrease \$438,250 (6.12%) in 2005 but will increase \$253,000 (3.76%) in 2006. As illustrated in the Capital Improvement Fund Chart (*at the end of this section*), the Unreserved – Undesignated Fund Balance will decrease in both 2005 and 2006. The Designated Fund Balance decreases in 2005 and then remains stable in 2006. The Fund Balance Reserved for Restricted Revenues will increase in both 2005 and 2006. The Fund Balance Reserved for Advances will increase in 2006.

The Undesignated – Unreserved Fund Balance is projected to decrease \$266,250 (24.46%) in 2005 and \$150,000 (18.24%) in 2006. The decrease in 2005 is due to the substantial expenditures proposed for Highway and Street Improvements. In 2006, the decrease in the Undesignated – Unreserved Fund Balance is the result of loaning \$400,000 to the TIF Fund.

The Designated Fund Balance will decrease \$175,000 in 2005 as Village Facilities and Bikeway projects will utilize Fund Balances designated for those particular purposes and reduce the total Designated Fund Balance. The Bikeway Project will completely deplete that portion of the Fund Balance Designated for Bikeways once the 2005 project is complete. In 2006, Designated Fund Balances will remain stable from 2005. Following is an illustration of the Designated Fund Balances and their changes during 2005:

	<u>Beginning Balance</u>	<u>Expenditures</u>	<u>Ending Balance</u>
Village Facilities	\$546,517	\$125,000	\$421,517
Village Center Parking	600,000	0	600,000
Bikeways	50,000	50,000	0
Totals	\$1,196,517	\$175,000	\$1,021,517

The Reserved for Restricted Fund Balance is projected to increase by \$3,000 in both 2005 and 2006. This increase is based on projected interest earning (no expenditure of these funds is proposed in either 2005 or 2006). These restricted balances are accounted for in the following manner:

Village receives restricted revenue during the fiscal year	➡	Qualified capital improvement expenditures are incurred	➡	At the end of the Fiscal Year, the Reserved for Restricted Fund Balance is increased/decreased based on the difference between revenues and associated programmatic expenditures
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Example:

Public Benefit Interest Earnings of \$3,000 are received in 2005	➡	No capital improvement Expenditures are incurred	➡	At the end of fiscal year 2005, total revenues are added to Reserved for Restricted Fund Balance.
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Following is a summary of the net changes in the individual components of the Fund Balance Reserved for Restricted Revenues:

<u>Fiscal Year 2005</u>	<u>Beginning Balance</u>	<u>Revenues</u>	<u>Expenditures</u>	<u>Ending Balance</u>
Public Benefit	\$276,727	\$3,000	\$0	\$279,727
<u>Fiscal Year 2006</u>	<u>Beginning Balance</u>	<u>Revenues</u>	<u>Expenditures</u>	<u>Ending Balance</u>
Public Benefit	\$279,727	\$3,000	\$0	\$282,727

The Fund Balance Reserved for Advances will not increase in 2005 but will increase by \$400,000 in 2006. This Fund Balance is the total amount of equity that is owed by the TIF Fund to the Capital Improvement Fund for loans that have been provided in previous years. No loan will be provided in 2005 and therefore this Fund Balance will remain stable. However, in 2006 the Capital Improvement Fund will loan \$400,000 to support the objectives of the TIF Fund. It is anticipated that the TIF Fund will repay these loans as the increment (*please see TIF Fund Budget Summary on Pages 112-115 for a full explanation of the financing mechanism of TIF*) increases in the last decade of the TIF's existence. The TIF Fund is paying interest on a portion of the loans made by the Capital Improvement Fund and these interest payments are reflected in the Investment Income under Revenues.

Capital Improvement Fund
Summary of Revenues, Expenditures, Transfers, and Changes in Fund Balance
Fiscal Year 2002 Actual through Fiscal Year 2006 Budget

	FY 2002 Actual	FY 2003 Actual	FY 2004 Amended Budget	FY 2004 Projected Actual	FY 2005 Approved Budget	FY 2006 Approved Budget
Beginning Total Fund Balance	\$ 5,800,824	\$ 5,638,413	\$ 6,821,168	\$ 6,821,168	\$ 7,164,668	\$ 7,164,668
Revenues						
Other Taxes	1,159,568	1,258,945	1,280,000	1,170,000	1,240,000	1,240,000
Intergovernmental	192,452	181,824	-	-	-	-
Charges for Services	4,809	-	5,000	-	5,000	-
Village Property Usage	180,406	263,907	200,000	245,000	290,000	290,000
Investment Income	101,347	90,508	104,500	87,750	93,000	93,000
Miscellaneous	40,489	107,730	20,000	315,000	75,000	100,000
Total Revenues	1,679,071	1,902,914	1,609,500	1,817,750	1,703,000	1,723,000
Expenditures						
Village Facilities	8,899	10,084	25,000	24,500	125,000	-
Street Improvements	1,501,511	1,088,170	1,415,000	1,370,000	1,835,000	1,395,000
Traffic Control Facilities	7,618	-	10,000	-	10,000	-
Flint Creek Restoration	-	8,454	285,000	285,000	-	-
Pedestrian Programs	63,927	10,776	60,000	44,750	85,000	75,000
Bikeway Program	561,096	3,480	75,000	-	86,250	-
Storm Sewer/Drainage	4,800	-	-	-	-	-
Memorial Park Acquisition	428,630	(805)	-	-	-	-
Total Expenditures	2,576,481	1,120,159	1,870,000	1,724,250	2,141,250	1,470,000
Excess (Deficiency) of Revenues Over (Under) Expenditures	(897,410)	782,755	(260,500)	93,500	(438,250)	253,000
Transfers In/(Out)						
General Fund	735,000	400,000	400,000	250,000	-	-
Net Transfers	735,000	400,000	400,000	250,000	-	-
Total Change in Fund Balance	(162,410)	1,182,755	139,500	343,500	(438,250)	253,000
Changes in Fund Balances⁽¹⁾						
Reserved for Advances	920,000	480,000	400,000	400,000	-	400,000
Reserved for Restricted Revenues	(44,509)	2,741	4,500	2,750	3,000	3,000
Unreserved - Designated	(8,899)	-	(50,000)	-	(175,000)	-
Unreserved - Undesignated	(704,182)	700,014	(210,500)	(59,250)	(266,250)	(150,000)
Ending Fund Balances⁽²⁾						
Reserved For Advances	3,720,000	4,200,000	4,600,000	4,600,000	4,600,000	5,000,000
Reserved for Restricted Revenues	273,986	276,727	281,227	279,477	282,477	285,477
Unreserved - Designated	1,196,601	1,196,601	1,146,601	1,196,601	1,021,601	1,021,601
Unreserved - Undesignated	447,826	1,147,840	937,340	1,088,590	822,340	672,340
Total Ending Fund Balances	\$ 5,638,413	\$ 6,821,168	\$ 6,965,168	\$ 7,164,668	\$ 6,726,418	\$ 6,979,418

Notes

- (1) According to Village Policy, the Capital Improvement Fund Budget is balanced if the Unreserved - Undesignated Ending Fund Balance is equal to or greater than \$0. Please see the Capital Improvement Fund Text Summary for an explanation of the different types of Fund Balance.
- (2) The Capital Improvement Fund Summary includes a summary of the revenues, expenditures, and ending Balances for the Fund Balances Reserved for Advances, Reserved for Restricted Revenues, and Unreserved - Undesignated.